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INTRODUCTION

The Office of Internal Audit performed a limited scope review of the Juvenile Justice Online Technology (JJOLT) system. The objectives of our review were:

- To ensure that roles and responsibilities of third parties are clearly defined, adhered to and continue to satisfy requirements for JJOLT.
- To safeguard JJOLT information against unauthorized use, disclosure or modification, damage or loss.

BACKGROUND

On July 1, 2001 the Family Independence Agency (FIA) Bureau of Juvenile Justice (BJJ) brought online a new computer system. Juvenile Justice Online Technology (JJOLT) is intended to significantly improve access to information about Michigan's juvenile offenders while reducing paperwork for juvenile justice staff. JJOLT was designed to replace several outdated databases and to computerize many records that were stored only on paper. The system ties together personnel and facilities across Michigan. The system was designed to allow prompt transfer of data and reduce the repetitive entry of identical information onto multiple computer systems and paper documents. JJOLT was developed from a commercial software package originally designed for foster care and adoptive services created by Global Vision Technologies (GVT) of Brentwood, TN. GVT initially modified this program for the County of Wayne for use with their juvenile justice cases. BJJ entered into a sole source contract with GVT that called for major expansion and improvements in the software to meet FIA's specific needs, by building on an existing program to reduce the time and expense required to move the program into the field.

SCOPE

We performed a limited scope review for the period from September 16, 2002 through March 31, 2004.

We reviewed the following to ensure that roles and responsibilities of GVT are clearly defined, adhered to and continue to satisfy requirements for JJOLT:

- Controls over the consistent application of policies and procedures relating to third-party relationships.
- Contract content that addresses:
 - Formal management approval
 - Legal entity providing services
 - Services provided
 - Service level agreements
 - Costs of services and frequency of payment of services
 - Resolution of problem process
 - Penalties for non-performance
 - Dissolution process
 - Modification process
 - Reporting of service – content, frequency, and distribution
 - Roles between contracting parties during life of contract
 - Continuity assurances that services will be provided by vendor
 - User of services and provider communications process and frequency
 - Duration of contract
 - Level of access provided to vendor
 - Security requirements
 - Non-disclosure guarantees
 - Right to access and right to audit

- Whether monitoring of service deliverables is performed by management.
- Whether an independent audit of contractor operations occurs.

We reviewed the following controls to safeguard JJOLT information against unauthorized use, disclosure or modification, damage or loss:

- Whether a strategic security plan is in place and providing centralized direction and control over system security, along with user security requirements for consistency.
- Whether a centralized security organization is in place and responsible for ensuring only appropriate access to system resources.
- Whether user security profiles are in place representing “least access as required”, and profiles are regularly reviewed by management for re-accreditation.
- Controls over the identification and resolution of security breaches.
- Controls over the system change process.

EXECUTIVE SUMMARY

Based on our review, we conclude that the internal controls to ensure that that roles and responsibilities of GVT are clearly defined, adhered to, and continue to satisfy the requirements for JJOLT are not adequate. The third party relationship with GVT was not consistent with FIA’s general policies regarding information systems or the consolidated framework of the State’s information technology methodology. We also identified inadequate controls over the administration of the JJOLT contract with GVT. We noted control weaknesses in the areas of performance benchmarking, project planning, audits of the third party, and monitoring third party vendor qualifications.

We also conclude that the internal controls for safeguarding JJOLT information against unauthorized use, disclosure or modification, and damage or loss, are not adequate. We

identified that there were an excessive number of application system administrators and a lack of system security monitoring.

BJJ RESPONSE

FIA Bureau of Juvenile Justice has reviewed all findings and recommendations included in this report. They indicated in a memo dated June 18, 2004 that they are in general agreement with the report and will initiate the proper corrective action.

FINDINGS AND RECOMMENDATIONS:

Inconsistent Application of the Consolidated Framework of the State's Information Technology Methodology

1. FIA-BJJ management for the JJOLT information system did not follow the consolidated framework for the management of the State's information technology systems. FIA-BJJ did not involve Information Technology Management Services (ITMS, now Department of Information Technology (DIT)) in the design or development of JJOLT. DIT provides services to agencies in the areas of application development, maintenance, support, database management, database reporting and project management including procurement and contractual services. FIA-BJJ created a JJOLT team that managed IT related contractual services for the design and development of JJOLT that is not consistent with the management of other FIA applications. By leveraging the expertise of the DIT services, FIA would have more assurance that the JJOLT system meets IT standards set forth by the state, and that the contract deliverables meet the requirements of FIA.

WE RECOMMEND that the Bureau of Juvenile Justice follow the consolidated framework for the management of the State's information technology systems and have the Department of Information Technology perform the project management of the JJOLT system.

Contract Administration

2. The administration of the contract for the JJOLT system did not provide for adequate controls to help BJJ management determine whether the requirements for the JJOLT system were met. In order for BJJ management to ensure that the JJOLT system is designed, developed, and operated within the scope of the contract, internal controls relating to monitoring of services need to be in place. We noted the following areas where internal controls were lacking:
 - a. Performance Benchmarks - The contract states that ITMS (now DIT) and GVT establish performance benchmarks that would help assure BJJ management that the JJOLT system is meeting performance requirements. No benchmarks have been established.
 - b. Project Plan - The JJOLT project is being addressed without a formal project plan or a detail listing of activities. A formal project plan would help BJJ management ensure that the development of the JJOLT system is on schedule and within budget.
 - c. Independent Audit - The contract has no provisions that require the vendor to have an external audit (SAS) No. 70 be performed of the third party vendor to provide BJJ with assurance that the third party vendor has sound internal controls over the service activities that they provide to FIA. Statement on

Auditing Standards (SAS) No. 70, ***Service Organizations*** is the authoritative guidance that requires service organizations to disclose their control activities and processes to their customers and their customers' auditors in a uniform reporting format. A SAS 70 examination signifies that a service organization has had its control objectives and control activities examined by an independent accounting and auditing firm.

- d. Qualifications of Third Party Vendor – The contract states that the contractor will use adequate numbers of qualified individuals with suitable training, education, experience and skill to perform the services. BJJ did not obtain GVT training records to ensure that GVT employees working on the JJOLT system stayed current with industry standards.

WE RECOMMEND that the Bureau of Juvenile institute internal controls relating to the monitoring of the JJOLT contract to ensure the requirements for the JJOLT system are met.

Excessive Number of Application System Administrators

- 3. BJJ did not properly restrict system administrator rights for the JJOLT system. The JJOLT system has an excessive number of system administrators who are responsible for the integrity and operation of the application. System administrators can add, change, and delete information through the use of the application. Twenty individuals have these powerful administrative rights in the JJOLT system. Eight individuals are part of the BJJ JJOLT team and twelve individuals are GVT staff. Systems need one primary and one backup system administrator, and possibly others who may receive the rights in an emergency. A

restricted number of system administrators reduces the opportunity for inappropriate use of the administrative rights.

WE RECOMMEND that the Bureau of Juvenile Justice ensure that the number of users with system administrator access rights is reduced to one individual and a backup.

Number of Purchased JJOLT Licenses

4. The Bureau of Juvenile Justice purchased an excessive number of user licenses for the JJOLT system. We identified that BJJ purchased 1,650 user licenses at a cost of \$250 per license. As of 1/22/2004, BJJ had 521 active users on the JJOLT system. Sound business practice dictates that sufficient numbers of user licenses should be maintained to support the operations that use the JJOLT system.

WE RECOMMEND that the Bureau of Juvenile Justice only purchase user licenses that are needed to support business needs.

JJOLT Security Administration

5. The Bureau of Juvenile Justice did not perform adequate system security administration and monitoring of the JJOLT system. We reviewed a sample of 25 users on the JJOLT system to determine if all users had a security access agreement signed by both the user and their supervisor. We noted that 10 of the 25 (40%) User_ID's sampled did not have a signed security access form on file. We also noted that 4 of the forms that were on file (16%) did not contain the supervisor's signature.

Additionally, BJJ does not perform periodic monitoring to ensure that users of the JJOLT system have the appropriate assigned user access. Periodic monitoring would

help to ensure that there is a signed security agreement to them and that the assigned user roles are still applicable.

WE RECOMMEND that BJJ ensure that all JJOLT users have a signed security access agreement and that periodic monitoring of security access is performed.